



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

PAD

10,297

B-115398.33

May 25, 1979

The Honorable James T. McIntyre, Jr.  
Director, Office of Management  
and Budget *AGC06027*

Dear Mr. McIntyre: *HSE01500*

We have received a copy of your letter to the Chairmen *SEN06600*  
of the House Committee on Government Operations and the Senate  
Committee on Governmental Affairs concerning our recent report  
(PAD-79-20) entitled "Federal Budget Outlay Estimates: A  
Growing Problem." ~~As you pointed out, there were certain~~  
errors in the report. We have corrected these and issued the  
enclosed errata sheet to the recipients of the report.

It is unfortunate that these errors were not found and  
corrected prior to our issuance of the report. This reflected  
the necessity to issue the report within a tight timeframe and  
a resulting inability to use all of the quality control proce-  
dures we would normally have employed.

After reviewing the corrected data, however, we are  
convinced that the errors do not affect the validity of the  
overall report, nor the conclusions and recommendations  
contained in it. For example, your letter places great  
emphasis on our use of the word "misestimate" to describe the  
variance between actual and estimated outlays. We fully agree  
that this was an error, and have corrected it in the errata  
sheet. At the same time, I must point out that the word  
"misestimate" was used in this context only once in the entire  
report, on the last page of appendix II. At that point, this  
usage is clearly, and I believe recognizably, inconsistent  
with one of the basic messages of the report--that there are  
many causes of variances in the budget estimates. In the digest,  
for example, we say:

"The estimating process is not an exact science;  
rather it is flexible and changing. It can be  
influenced by a number of variables. Many of  
these variables are uncontrollable, such as the  
effect of congressional action, and others are  
controllable, such as historic upward bias (the  
past tendency to overestimate).

ERRATA CONCERNING

"(PAD-79-20) Letter  
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On page 3 we go on to state:

"We recognize that the budget estimating process is not an exact science; estimates are predictions of the future and cannot be expected to equal actuals. Legitimate variances are part of the process and often result from congressional action and/or unpredictable events such as weather."

Nevertheless, we are particularly concerned about the past tendency to overestimate and thus emphasized the need to minimize systematic bias in the estimates due to controllable factors. Our recommendations are directed at the needed procedures, some of which you indicate that you are using. Of particular importance is the need for a comprehensive analysis and reporting of the variances each year to identify the major factors that account for the net differences, such as policy changes, congressional changes in funding levels, changes in economic conditions (difference from that assumed), program operational factors, estimating factors, etc.

We believe that such an analysis, if provided on a regular basis, would serve two very useful purposes. First, it would facilitate the detection and correction of whatever systematic bias exists. Second, it would aid the users of budget data in understanding the level of confidence which can reasonably be expected.

Your letter comments that our report "makes recommendations that, if adopted, would do nothing to improve our ability to estimate outlays." In the enclosure to your letter--responding to five of the nine recommendations--it is stated that to varying degrees, OMB is already taking the recommended action in some form or to some extent. Our reasons for recommending more comprehensive analyses and reporting on variances are set forth above. Two of our other recommendations related to changing the presentation of offsetting collections and offsetting receipts from the public and to the treatment of off-budget agencies. These recommendations are not directed toward improved estimating ability but rather, to the elimination of undesirable distortions and complexity in the budget presentation.

In order that our recommendations and your response can be put in perspective, we are sending copies of this letter to the Chairmen of the House Committee on Government Operations and

the Senate Committee on Governmental Affairs, to *HSE00801*  
Chairman Norman Y. Mineta of the House Budget Committee's  
Budget Process Task Force, and to the Chairmen of the House  
and Senate Appropriations Committees.

Sincerely yours, *HSE00300*  
*SEN00306*

*Robert A. Staab*

Comptroller General  
of the United States

Enclosure

## ERRATA

To the recipients of the Comptroller General's report to the Budget Process Task Force, House Budget Committee, entitled "Federal Budget Outlay Estimates: A Growing Problem," PAD-79-20, February 9, 1979.

Attached is a revised appendix II to replace pages 48-50. Revised appendix II totals require the following changes in the report:

page i, line 3	17 to 29	and \$ 7 to \$ 8
line 7	\$37 to \$27	
line 9	\$44 to \$35	
page 3, line 2	17 to 29	
line 3	\$ 7 to \$ 8	
line 7	\$37 to \$27	and \$11 to \$10.4
line 8	\$26 to \$16.4	
line 9	\$43.5 to \$35	
line 10	\$21.2 to \$12.3	
page 19, line 13	\$2.9 to \$2.5	
line 14	\$6.5 to \$6.1	

In addition, the following deletion should be made starting at line 5 on page 30.

~~The fiscal year 1980 budget contains these reconciliations for the first time.~~

~~Due to the unavailability of the 1980 budget until late January 1979, we were unable to analyze these reconciliations. We did note that most of this effort was directed toward the aggregate issue.~~

APPENDIX II

APPENDIX II

ACCURACY OF ESTIMATING OUTLAYS  
FIFTY ACCOUNTS WITH THE LARGEST FISCAL YEAR 1977 OUTLAYS (note a)

AGENCY Account Name Account Number	Fiscal year 1977			Fiscal year 1978		
	Budget year estimate	Current year estimate		Budget year estimate	Current year estimate	
	Actual	minus actual	minus actual	Actual	minus actual	minus actual
(000,000 omitted)						
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Federal Old-Age and Survivors Insurance Trust Fund 09-60-8006-0-7-601	573,479	\$ -674	\$ -246	\$81,205	\$-1,617	\$ 460
Less Interfund Transaction	614	0	0	613	0	0
Adjusted balance	72,865	-674	-246	80,592	-1,617	460
DEPARTMENT OF THE TREASURY Interest on the Public Debt 15-60-0550-0-1-901	41,900	3,100	100	48,695	-4,095	-95
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Public Assistance 09-50-0581-0-1-999 g/	18,777	-972	489	20,187	714	-3
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Federal Hospital Insurance Trust Fund 09-60-8005-0-7-551	15,207	-1,926	133	17,862	-1,413	18
Less Interfund Transaction	944	-137	0	860	-134	0
Adjusted Balance	14,263	-1,789	133	17,002	-1,279	18
DEPARTMENT OF LABOR Unemployment Trust Fund 12-05-8042-0-7-999	14,103	2,397	1,297	11,169	2,131	631
Less Interfund Transaction	3,442	1,058	409	1,045	755	-445
Adjusted balance	10,661	1,339	888	10,124	1,376	1,076
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Federal Disability Insurance Trust Fund 09-60-8007-0-7-601	11,590	-374	-155	12,655	131	409
Less Interfund Transaction	103	0	0	128	0	0
Adjusted Balance	11,487	-374	-155	12,527	131	409
CIVIL SERVICE COMMISSION Civil Service Retirement and Disability Fund 30-28-8115-0-7-802	9,564	400	206	10,908	270	-12
Less Interfund Transaction	7,298	-146	-11	7,434	-513	-37
Adjusted balance	2,266	606	217	3,474	783	25
DEPARTMENT OF DEFENSE Operation and Maintenance, Navy 07-10-1804-0-1-051	9,021	-150	-3	10,320	96	112
VETERANS ADMINISTRATION Compensation and Pensions 29-00-0102-0-1-701	9,000	-913	-17	9,573	-543	-9
DEPARTMENT OF DEFENSE Military Personnel, Army 07-05-2010-0-1-051	8,696	-162	185	9,198	-481	-173
DEPARTMENT OF DEFENSE Retired Pay, Defense 07-07-0030-0-1-001	8,216	172	18	9,171	-136	40
FUNDS APPROPRIATED TO THE PRESIDENT Advances, Foreign Military Sales 04-09-8242-0-7-150	8,210	-1,210	125	8,104	696	396
DEPARTMENT OF DEFENSE Operation and Maintenance, Air Force 07-10-3400-0-1-051	8,034	-38	231	8,541	-38	38
DEPARTMENT OF DEFENSE Operation and Maintenance, Army 07-10-2020-0-1-051	7,590	298	191	8,476	-260	-212
CIVIL SERVICE COMMISSION Payment to Civil Service Retirement and Disability Fund 30-28-0200-0-1-805	7,298	-146	-11	7,434	-513	-37
DEPARTMENT OF DEFENSE Military Personnel, Air Force 07-05-3500-0-1-051	7,269	-209	27	7,526	-346	-9
DEPARTMENT OF THE TREASURY State and Local Government Fiscal Assistance Trust Fund 15-70-2111-0-7-851	6,760	-211	16	6,823	-9	4
Less Interfund Transaction	6,655	-113	0	6,855	0	0
Adjusted balance	105	-98	16	-32	-9	4
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Payments to Social Security Trust Funds 09-60-0404-0-1-999 b/	6,714	-143	0	7,984	-166	0
DEPARTMENT OF THE TREASURY Payments to State and Local Government Fiscal Assistance Trust Fund 15-70-2111-0-1-851	6,655	-113	0	6,855	0	0

g/Excludes Department of Energy accounts.

b/Adjusted for comparability because account structure varied between years.

ACCURACY OF ESTIMATING OUTLAYS  
 FIFTY ACCOUNTS WITH THE LARGEST FISCAL YEAR 1977 OUTLAYS (note a)

AGENCY Account Name Account Number	Fiscal year 1977		Fiscal year 1978	
	Budget year estimate Actual	Current year estimate minus actual	Budget year estimate Actual	Current year estimate minus actual
----- (000,000 omitted) -----				
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Federal Supplementary Medical Insurance Trust Fund 09-60-8004-0-7-551	\$6,342	\$ 23	\$ 91	7,350
Less Interfund Transaction	5,053	-6	0	6,383
Adjusted balance	1,289	29	91	967
				\$ 498
				530
				\$ 341
				0
				341
DEPARTMENT OF DEFENSE Military Personnel, Navy 07-05-1453-0-1-051	6,021	65	161	6,385
				-214
				-16
DEPARTMENT OF TRANSPORTATION Federal-Aid Highways (Trust Fund) 21-25-9102-0-7-401	5,973	747	-133	55,876
				1,008
				674
DEPARTMENT OF AGRICULTURE Food Stamp Program 05-84-3505-0-1-604	5,399	-691	-645	5,499
				-787
				156
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Supplemental Security Income Program 09-60-0406-0-1-604	5,297	613	72	5,855
				-141
				119
DEPARTMENT OF LABOR Advances to the Unemployment Trust Fund 12-05-0327-0-1-603	4,338	162	171	1,110
				690
				-510
VETERANS ADMINISTRATION Medical Care 29-00-0160-0-1-703	4,291	-259	73	4,809
				-243
				95
RAILROAD RETIREMENT BOARD Railroad Retirement Account 32-20-8011-0-7-601	3,800	-122	-73	3,983
				-87
				111
VETERANS ADMINISTRATION Readjustment benefits 29-00-0137-0-1-702	3,700	543	430	3,362
				-4
				-260
DEPARTMENT OF DEFENSE Research, Development, Test, and Evaluation, Air Force 07-20-3600-0-1-051	3,618	-184	-39	3,626
				503
				301
DEPARTMENT OF DEFENSE Aircraft Procurement, Air Force 07-15-3010-0-1-051	3,586	327	-71	3,989
				908
				606
ENVIRONMENTAL PROTECTION AGENCY Construction Grants 20-00-0103-0-1-304	3,530	240	900	3,187
				1,973
				948
DEPARTMENT OF AGRICULTURE Price Support and Related Programs (Commodity Credit Corporation Fund) 05-66-4336-0-3-351	3,501	-2,809	-1,697	5,541
				-4,555
				1,987
DEPARTMENT OF DEFENSE Research, Development, Test, and Evaluation, Navy 07-20-1319-0-1-051	3,481	526	85	3,825
				167
				-25
DEPARTMENT OF LABOR Employment and Training Assistance 12-05-0174-0-1-504	3,291	-497	-79	4,764
				-1,623
				88
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION Research and Development 27-00-0108-0-1-999	2,981	-245	-244	2,989
				-65
				-28
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Higher and Continuing Education 09-40-0293-0-1-502 g/	2,877	-827	211	2,810
				446
				62
DEPARTMENT OF DEFENSE Shipbuilding and Conversion, Navy 07-15-1611-0-1-051	2,841	731	142	3,048
				702
				-48
DEPARTMENT OF DEFENSE Operations and Maintenance, Defense Agencies 07-10-0100-0-1-051	2,800	-76	12	2,857
				113
				-8
DEPARTMENT OF DEFENSE Aircraft Procurement, Navy 07-15-1506-0-1-051	2,657	346	318	2,602
				178
				73
DEPARTMENT OF AGRICULTURE Child Nutrition Programs 05-84-3339-0-1-604	2,635	-344	207	2,527
				-374
				112
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Subsidized Housing Programs (Housing Payments) 25-02-0139-0-1-604	2,443	127	-47	2,920
				164
				123

g/Excludes Department of Energy accounts.

d/Adjusted for comparability because account structure varied between years.

APPENDIX II

APPENDIX II

ACCURACY OF ESTIMATING OUTLAYS  
FIFTY ACCOUNTS WITH THE LARGEST FISCAL YEAR 1977 OUTLAYS (note 4)

AGENCY Account Name Account Number	Fiscal year 1977		Fiscal year 1978			
	Budget year estimate	Current year estimate	Budget year estimate	Current year estimate		
	Actual	minus actual	Actual	minus actual		
(000,000 omitted)						
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Elementary and Secondary Education 09-40-0279-0-1-501	\$ 2,352	\$ -4.5	\$ -113	\$ 2,815	\$ -382	\$ -241
DEPARTMENT OF LABOR Temporary Employment Assistance 12-05-0173-0-1-504	2,340	-1,275	18	4,769	-3,769	-4
U.S. POSTAL SERVICE Payment to the Postal Service Fund 32-10-1001-0-1-372	2,267	-806	5	1,778	-306	9
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Community Development Grants 25-06-0162-0-1-451	2,089	-489	173	2,464	648	120
DEPARTMENT OF DEFENSE Research, Development, Test, and Evaluation, Army 07-20-2040-0-1-051	2,069	218	144	2,342	129	-38
DEPARTMENT OF DEFENSE Military Personnel, Marine Corps 07-05-1105-0-1-051	1,971	-1	74	2,008	-92	-55
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Human Development Services 09-80-1636-0-1-500	1,869	-264	-28	2,078	-206	-23
DEPARTMENT OF DEFENSE Other Procurement, Air Force 07-15-3000-0-1-051	1,834	153	42	1,969	289	192
DEPARTMENT OF TRANSPORTATION Urban Mass Transportation Fund 21-32-1119-0-1-401	1,709	-424	121	2,028	97	-53
Totals (+) Shortfall		\$ 10,372	\$ 6,070	\$ 12,341	\$ 8,695	
(-) Longfall		-16,431	-3,601	-22,332	-1,852	
Net shortfall or longfall		\$ -6,059	\$ 2,469	\$ -9,991	\$ 6,843	
Total variance		\$ 26,803	\$ 9,671	\$ 34,673	\$ 10,547	

4/Excludes Department of Energy accounts.